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X-Efficiency

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DEFINITION OF 'X-EFFICIENCY'

The degree of efficiency maintained by individuals and firms under conditions of imperfect competition. According to the neoclassical theory of economics, under perfect competition individuals and firms must maximize efficiency in order to succeed and make a profit; those who do not will fail and be forced to exit the market. However, x-efficiency theory asserts that under conditions of less-than-perfect competition, inefficiency may persist.

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The concept of x-efficiency was proposed by economist Harvey Leibenstein in a 1966 paper. The theory of x-efficiency is controversial because it conflicts with the assumption of utility-maximizing behavior, a well-accepted axiom in economic theory. Instead, some economists argue that the concept of x-efficiency is merely the observance of workers' utility-maximizing tradeoff between effort and leisure. Empirical evidence for the theory of x-efficiency is mixed.

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An economic state where resources are allocated in the most efficient ...

Efficiency

A level of performance that describes a process that uses the ...

Production Efficiency

1. An economic level at which the economy can no longer produce ...

Allocational Efficiency

A characteristic of an efficient market in which capital is allocated ...

Economic Efficiency

A broad term that implies an economic state in which every resource ...

Black Money

Money earned through any illegal activity controlled by country ...

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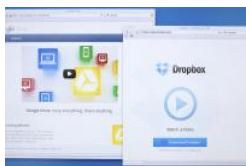
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